

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

Budget Summary							
Fund	2018-19 Base Year Doubled	2019-21 Governor	2019-21 Jt. Finance	2019-21 Legislature	2019-21 Act 9	Act 9 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$30,701,400	\$25,320,900	\$26,390,900	\$26,390,900	\$26,390,900	- \$4,310,500	- 14.0%
SEG	<u>52,400,000</u>	<u>57,780,500</u>	<u>56,710,500</u>	<u>56,710,500</u>	<u>56,710,500</u>	<u>4,310,500</u>	8.2
TOTAL	\$83,101,400	\$83,101,400	\$83,101,400	\$83,101,400	\$83,101,400	\$0	0.0%

FTE Position Summary
As a corporation, there are no state positions for the Wisconsin Economic Development Corporation.

## Budget Change Items

### 1. REESTIMATE WEDC APPROPRIATION LEVELS -- CURRENT LAW

GPR	- \$4,310,500
SEG	<u>4,310,500</u>
Total	\$0

**Governor/Legislature:** Reduce funding by \$2,133,400 GPR in 2019-20 and \$2,177,100 GPR in 2020-21 for the Wisconsin Economic Development Corporation's (WEDC) operations and programs sum sufficient GPR appropriation. Increase estimated funding by \$2,133,400 SEG in 2019-20 and \$2,177,100 SEG in 2020-21 for WEDC's all monies received SEG appropriation from the economic development fund for operations and programs. Maintain base funding for WEDC's brownfield site assessment grants SEG appropriation from the environmental fund. As a result, the administration estimates current law funding provided for WEDC's state appropriations at \$41,550,700 all funds in 2019-20 and 2020-21, comprised of: (a) \$27,333,400 SEG in 2019-20 and \$27,377,100 SEG in 2020-21 from its all monies received operations and programs SEG appropriation; (b) \$13,217,300 GPR in 2019-20 and \$13,173,600 GPR in 2020-21 from its sum sufficient programs and operations GPR appropriation; and (c) \$1,000,000 SEG in 2019-20 and 2020-21 for brownfield site assessment grants.

Under current law, the primary source of WEDC's funding is from the segregated economic development fund. The revenue source for the economic development fund is the economic

development surcharge imposed upon C corporations and S corporations. In addition, WEDC receives a GPR appropriation that is capped at \$16,512,500, annually. Funding is also provided from the environmental fund.

## 2. REESTIMATE WEDC APPROPRIATION LEVELS -- PROPOSED TAX LAW CHANGES

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	- \$1,070,000	\$1,070,000	\$0
SEG	<u>1,070,000</u>	<u>- 1,070,000</u>	<u>0</u>
Total	\$0	\$0	\$0

**Governor:** Reduce funding by \$590,000 GPR in 2019-20 and by \$480,000 GPR in 2020-21 for WEDC's operations and programs sum sufficient GPR appropriation and increase estimated SEG funding by a corresponding amount. As a result, WEDC's appropriation levels are estimated at \$41,550,700 annually, comprised of: (a) \$12,627,300 GPR in 2019-20 and \$12,693,600 GPR in 2020-21 from its sum sufficient programs and operations GPR appropriation; (b) \$27,923,400 SEG in 2019-20 and \$27,857,100 in 2020-21 from its all monies received operations and programs SEG appropriation; and (c) \$1,000,000 SEG in 2019-20 and 2020-21 for brownfield site assessment grants. The reestimate would reflect the estimated increase in economic development surcharge SEG revenues from the Governor's proposed modification to the apportionment of broadcaster income (See "General Fund Taxes -- Income and Franchise Taxes").

**Joint Finance/Legislature:** Delete provision.

## 3. MODIFICATION TO WEDC'S GPR APPROPRIATION FOR OPERATIONS AND PROGRAMS

**Governor/Legislature:** Specify that GPR may be expended from WEDC's sum sufficient appropriation only if there are no unencumbered moneys available in the economic development fund, rather than only if the balance in WEDC's SEG appropriation is \$0, as required under current law. According to the administration, the modification better reflects the intent that the first draws for programs and operations should come from the economic development fund until the available balance of the SEG appropriation is depleted.

[Act 9 Section: 134]

## 4. ECONOMIC DEVELOPMENT LIAISON PROJECT POSITION

**Governor:** Remove authority from WEDC's Board of Directors (Board) to appoint and supervise the economic development liaison position that serves as the state's primary point of contact for any matters regarding the electronic and information technology manufacturing zone tax credit program (Foxconn). Under 2017 Act 58, 1.0 unclassified GPR project position was

provided to the Department of Administration (DOA) for economic development liaison activities under an agreement with WEDC through December 31, 2022. However, 2017 Act 369 provided WEDC's Board with the authority to appoint and supervise the economic development liaison position. This provision would repeal the Act 369 provision and restore the Act 58 provision.

**Joint Finance/Legislature:** Delete provision.

## **5. GRANTS TO REGIONAL ECONOMIC DEVELOPMENT ORGANIZATIONS**

**Governor:** Require WEDC to award at least \$1,000,000 in grants each year to regional economic development organizations (REDOs) to fund economic development activities, including marketing activities. Specify that the amount of a grant to fund marketing activities may not exceed the lesser of: (a) \$100,000; or (b) the amount of matching funds the grant recipient obtains from sources other than WEDC or the state.

Under current law, WEDC is required to provide annual grants to REDOs for marketing activity only, subject to the limit described above, but no minimum amount must be awarded. In 2017-18, WEDC entered into nine contracts with REDOs in the aggregate amount of \$827,500. The Governor's recommendation would require WEDC to award at least \$1.0 million annually in aggregate grants and would expand the types of grants WEDC may award to REDOs.

**Joint Finance/Legislature:** Delete provision.

## **6. DISCLOSURE OF CONTRACTS AND MATERIAL CHANGES TO CONTRACTS OR PROJECTS [LFB Paper 327]**

**Governor:** Require that each contract WEDC executes with a taxpayer under which the taxpayer may be eligible to claim tax benefits in excess of \$5,000,000 during the term of the contract include an obligation that the taxpayer promptly notify WEDC of: (a) each material change to a project subject to the contract; and (b) all effects of each material change on the contract's performance goals or requirements, including job retention, creation, or training and capital expenditures, and any effect on the timing of the taxpayer's achievement of the performance goals or requirements. Require WEDC to notify the Joint Committee on Finance of any material change for which WEDC receives notice and, for any contract under which a taxpayer may be eligible to claim tax benefits in excess of \$5,000,000 during the term of the contract, of any material change due to an amendment to the contract. These requirements would first apply to contracts entered into, modified, or renewed on the effective date of the bill.

**Joint Finance/Legislature:** Delete provision.

## **7. ONLINE ELECTRONIC DATABASE**

**Governor:** Require WEDC to maintain a searchable, electronic database on its internet website that allows any person to inspect all final contracts, including final amendments to contracts, under which WEDC agrees to provide a grant, loan, or tax benefit. Require WEDC to

add a final contract or final amendment to the database no later than 30 days after the contract or amendment is executed.

**Joint Finance/Legislature:** Delete provision.

## **8. WEDC REPORTING ON JOB CREATION AND RETENTION**

**Governor:** Specify that, when reporting on jobs created or retained as a result of its programs in its annual reports on economic development programs to the Legislature, WEDC must only include those jobs which meet the criteria for receiving a grant, loan award, or tax credit. According to the administration, narrowing reporting to the jobs created that conform to program criteria would strengthen the attribution of jobs to the awards credited for creating them.

**Joint Finance/Legislature:** Delete provision.

## **9. MODIFY ANNUAL REPORTING REQUIREMENT TO THE LEGISLATURE**

**Governor:** Require WEDC to annually submit a report to the Legislature by October 1, rather than January 1, identifying the economic development projects that the Board intends to develop and implement during the current fiscal year, instead of the current calendar year. According to the administration, doing so is more efficient because WEDC already publishes its annual report on economic development on that date and develops its economic development plans on a fiscal year basis in line with its operating budget.

**Joint Finance/Legislature:** Delete provision.

## **10. REPEAL REPORTING REQUIREMENTS FOR THE ECONOMIC DEVELOPMENT TAX CREDIT PROGRAM**

**Governor:** Repeal WEDC's annual reporting requirement to the Legislature providing a comprehensive assessment of the economic development tax credit program. The program was sunset after 2015, and the last tax credit award that a business is eligible to earn under the program is for tax year 2019.

**Joint Finance/Legislature:** Delete provision.

## **11. MODIFY QUARTERLY TAX CREDIT REPORT TO DOR**

**Governor/Legislature:** Modify WEDC's quarterly tax credit reporting requirement to the Department of Revenue (DOR) such that, for persons whose certification for tax benefits has been revoked, WEDC must identify the amount of tax credits that WEDC determined the person is eligible to have claimed, rather than the amount of credits actually claimed. According to the administration, this provision is a technical correction to an oversight in statutory language.

[Act 9 Section: 1878]

## **12. INFORMATION SHARING BETWEEN WEDC AND DOR [LFB Paper 775]**

**Governor:** Provide WEDC authority, to the extent necessary to administer its *economic development programs*, to examine otherwise confidential tax records and, under an agreement with DOR, to obtain copies of tax returns, tax credit claims, and the related schedules, exhibits, writings, and audit reports. Current law allows WEDC to examine the above tax records only to the extent necessary to administer the *development zone tax credit program*, but does not allow WEDC to obtain copies of such records. Specify that records received from DOR pursuant to an agreement are exempt from the requirement that all WEDC records be open to the public.

**Joint Finance/Legislature:** Delete provision.

## **13. REPORTS TO WEDC CONCERNING JOB ELIMINATION OR RELOCATION [LFB Paper 326]**

**Governor:** Specify that a recipient of a WEDC grant, loan, or tax credit may not use the grant, loan, or tax credit to reduce net employment in this state or relocate jobs outside this state. Further, require recipients of a grant, loan, or tax credit to report to WEDC each full-time job in this state that the recipient eliminates or relocates outside this state within seven business days after the job is eliminated or relocated and describe in detail the circumstances of that job elimination or relocation. Specify that, if extenuating circumstances make it impossible for the recipient to submit the report within seven business days, the recipient may submit the report within 30 days after the full-time job is eliminated or relocated.

**Joint Finance/Legislature:** Delete provision.

## **14. WEDC CONTRACTING REQUIREMENTS AND UNDERWRITING REVIEW**

**Governor:** Require that all terms of each contract WEDC executes comply with state law and applicable WEDC policies and procedures at the time the contract is executed. Prior to executing a contract for the award of a grant, loan, or tax credit, require WEDC to establish the number of full-time employees employed by the awardee, for the purpose of accounting for each full-time job created or retained during the course of a contract, through payroll records or other business records WEDC determines are sufficient. Further, require that each contract WEDC executes for the award of a grant, loan, or tax credit obligate the awardee to submit payroll records, or other business records that WEDC determines are sufficient, to verify the number of full-time jobs created or retained during the course of the contract. Require WEDC to adopt policies and procedures establishing standards to verify business records and full-time job data.

Specify that WEDC may not enter into a contract for the award of a grant, loan, or tax credit before the underwriting staff of WEDC completes a review of the application for the grant, loan, or tax credit, including an evaluation of all statutory requirements and all requirements under WEDC policies and procedures that apply to the grant, loan, or tax credit.

**Joint Finance/Legislature:** Delete provision.

## 15. MODIFICATIONS TO WEDC BOARD OF DIRECTORS AND CEO

**Governor:** Specify several changes to the appointment procedures, composition, and powers of the WEDC Board and chief executive officer (CEO) in order to conform with the law prior to enactment of 2017 Act 369, as described below.

*Composition of WEDC Board.* Specify that, on the effective date of the bill, WEDC has a 14-member Board, of which 12 would be voting members, including: (a) six members nominated by the Governor who are appointed with the advice and consent of the Senate serving at the pleasure of the Governor for staggered four-year terms; (b) three members appointed by the Assembly Speaker and three members appointed by the Senate Majority Leader, each consisting of one majority member, one minority member, and one person employed in the private sector, each of whom serve at the pleasure of the Assembly Speaker and Senate Majority Leader, respectively; and (c) the Secretary of DOA and the Secretary of DOR would serve as nonvoting members of the Board.

Under current law, pursuant to changes made under Act 369, through September, 2019, WEDC has a 20-member Board, of which 18 are voting members, including: (a) six members nominated by the Governor and appointed with the advice and consent of the Senate, serving at the pleasure of the Governor for staggered four year terms; (b) four members appointed by the Assembly Speaker and four appointed by the Senate Majority Leader serving staggered four-year terms; (c) one additional member appointed by the Assembly Speaker and one additional member appointed by the Senate Majority Leader temporarily serving terms expiring on September 1, 2019; (d) one member appointed by the Assembly Minority Leader and one member appointed by the Senate Minority Leader each serving a four-year term; and (e) the DOA Secretary and the DOR Secretary each serve as nonvoting members. Beginning in October, 2019, after the expiration of the term of the temporary Board members under "c", WEDC will have an 18-member Board, of which 16 are voting members.

*Appointment of WEDC CEO.* Specify that the CEO would be nominated by the Governor, with the advice and consent of the Senate, serving at the pleasure of the Governor. Under current law, pursuant to Act 369, the CEO is temporarily nominated by the Board and serves at the pleasure of the Board through September 1, 2019, after which the CEO is nominated by the Governor, serving at the pleasure of the Governor. Thus, the bill would sunset the Act 369 provision on the effective date of the bill, rather than on September 1, 2019.

**Joint Finance/Legislature:** Delete provision.

## 16. FABRICATION LABORATORIES GRANT PROGRAM

**Joint Finance/Legislature:** Require WEDC to provide at least \$500,000 SEG in 2019-20 and 2020-21 to continue a fabrication laboratory program substantially similar to the program under section 238.145, 2015 stats., from its economic development fund operations and programs SEG appropriation.

WEDC was provided \$500,000 GPR in 2015-16, pursuant to Act 55, to develop and implement

a program to make grants to eligible recipients for purchases of equipment used in fabrication laboratories for instructional and educational purposes by grade school, junior high school, and high school students. The statutes that created the fabrication laboratory grant program were repealed under 2017 Act 59, which instead required that WEDC continue to provide funding of at least \$500,000 in 2017-18 and 2018-19 from either its operations and programs GPR appropriation or its economic development fund operations and programs SEG appropriation to implement a program substantially similar to the Act 55 program. This provision would require WEDC to continue the grant program through the 2019-21 biennium.

**Veto by Governor [E-78]:** Delete provision.

[Act 9 Vetoed Section: 9149(1g)]

## **17. ECONOMIC DEVELOPMENT GRANT FOR MILWAUKEE 7 ECONOMIC DEVELOPMENT PARTNERSHIP**

**Joint Finance/Legislature:** Require WEDC to allocate funding of \$250,000 in 2019-20 from its economic development fund operations and programs SEG appropriation to the Milwaukee 7 Economic Development Partnership to support efforts by the 128<sup>th</sup> air refueling wing of the Wisconsin Air National Guard to secure basing of the U.S. Air Force's KC-46 tanker aircraft.

**Veto by Governor [E-77]:** Delete provision.

[Act 9 Vetoed Section: 9149(1i)]

## **18. TRANSFER UNENCUMBERED ECONOMIC DEVELOPMENT FUNDS**

	<b>Jt. Finance (Chg. to Base)</b>	<b>Assembly/Leg. (Chg. to Jt. Finance)</b>	<b>Net Change</b>
GPR-Rev	\$30,000,000	- \$5,000,000	\$25,000,000

**Joint Finance:** Require WEDC to make a payment of \$30,000,000 for deposit into the state's general fund on or before January 1, 2020.

**Assembly/Legislature:** Require WEDC to make a payment of \$25,000,000, rather than \$30,000,000, for deposit into the state's general fund on or before January 1, 2020.

[Act 9 Section: 9149(1x)]

## **19. TAX CREDIT MODIFICATIONS**

**Governor/Legislature:** Make a number of modifications to tax credit programs that are administered, in part, by WEDC, which are described in "General Fund Taxes."